



***Tennessee Tax Revenue Estimates  
for  
FY2013-2014 and FY2014-2015***

***Prepared by:  
Fiscal Review Committee Staff  
December 10, 2013***





# ***FRC Economic Outlook***

- ❑ Moderate growth in personal consumption ranging between 2.0% and 3.0%
- ❑ Retail sales grow 2.5% to 3.5% per year
- ❑ Vehicle Sales slow slightly to more sustainable growth rate (down from 9.0% to 6.5%)
- ❑ Housing continues moderate recovery
- ❑ Employment continues a slow recovery
  - 2013 Unemployment Rate: 7.1%
  - 2014 Unemployment Rate: 6.5%
  - 2015 Unemployment Rate: 6.0%





# ***FRC Economic Outlook***

- ☐ Fed may begin tapering \$85B-a-month bond buying program in early-2014, but likely continue program at lower buying levels for sometime thereafter
- ☐ Money Supply continues to grow
- ☐ Inflation between 2.0% and 3.5%
- ☐ Fed keeps short-term rates close to zero
  - Until Unemployment < 6.0%
- ☐ Congress continues raising debt ceiling (January 2014 and beyond)
- ☐ Federal budget deficit continues
  - \$680 billion/year





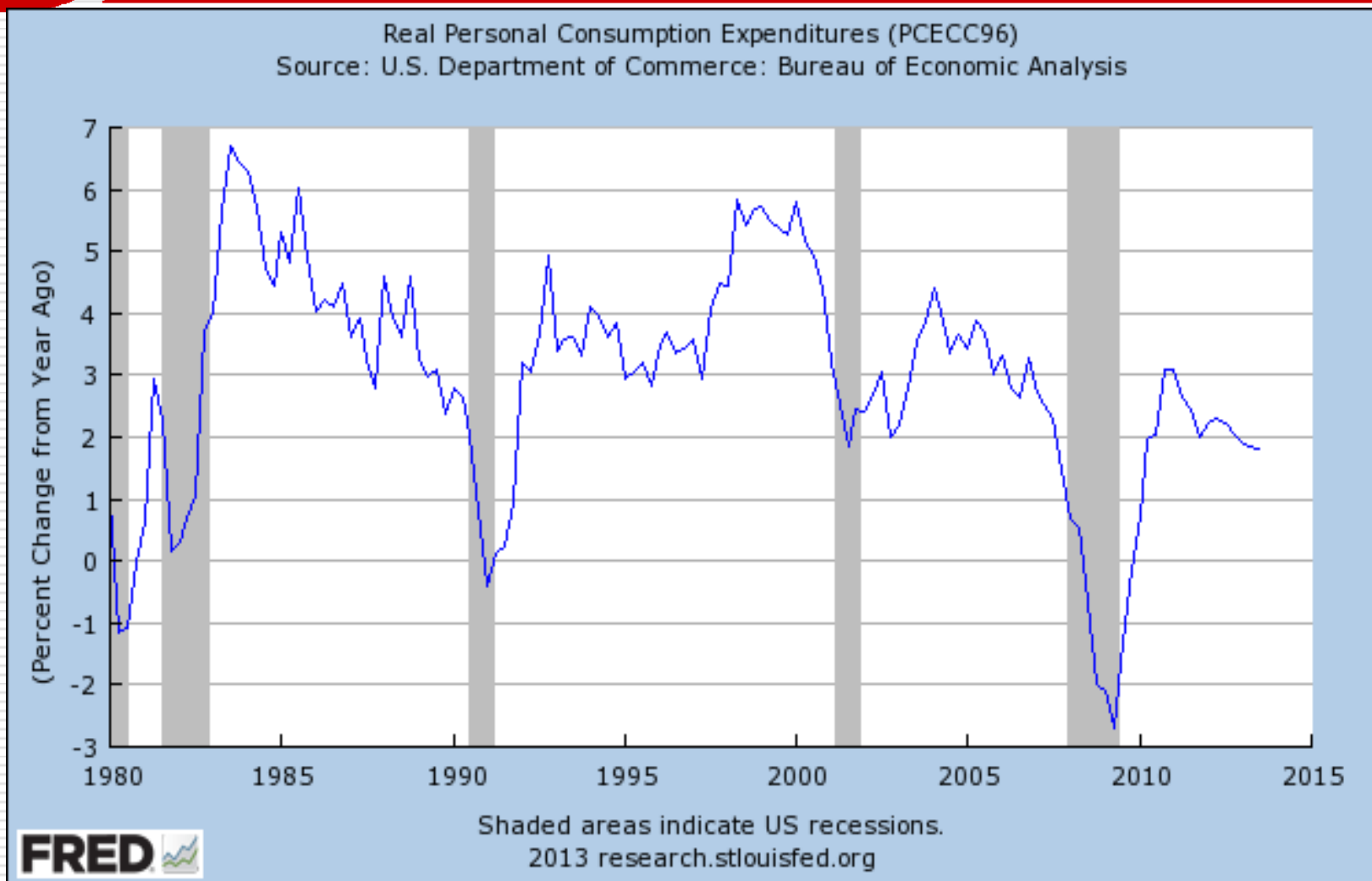
# ***FRC Economic Outlook***

- ❑ National debt will continue to grow
- ❑ National debt  $\approx$  100% of GDP
- ❑ Continued political uncertainty from Congress regarding healthcare, budget deficit, national debt, will continue to impact business and consumers
- ❑ Result: a continued economic recovery that remains sluggish
  - ***2013 GDP growth estimate  $\approx$  2.1%***
  - ***2014 GDP growth estimate  $\approx$  2.6%***
  - ***2015 GDP growth estimate  $\approx$  2.9%***



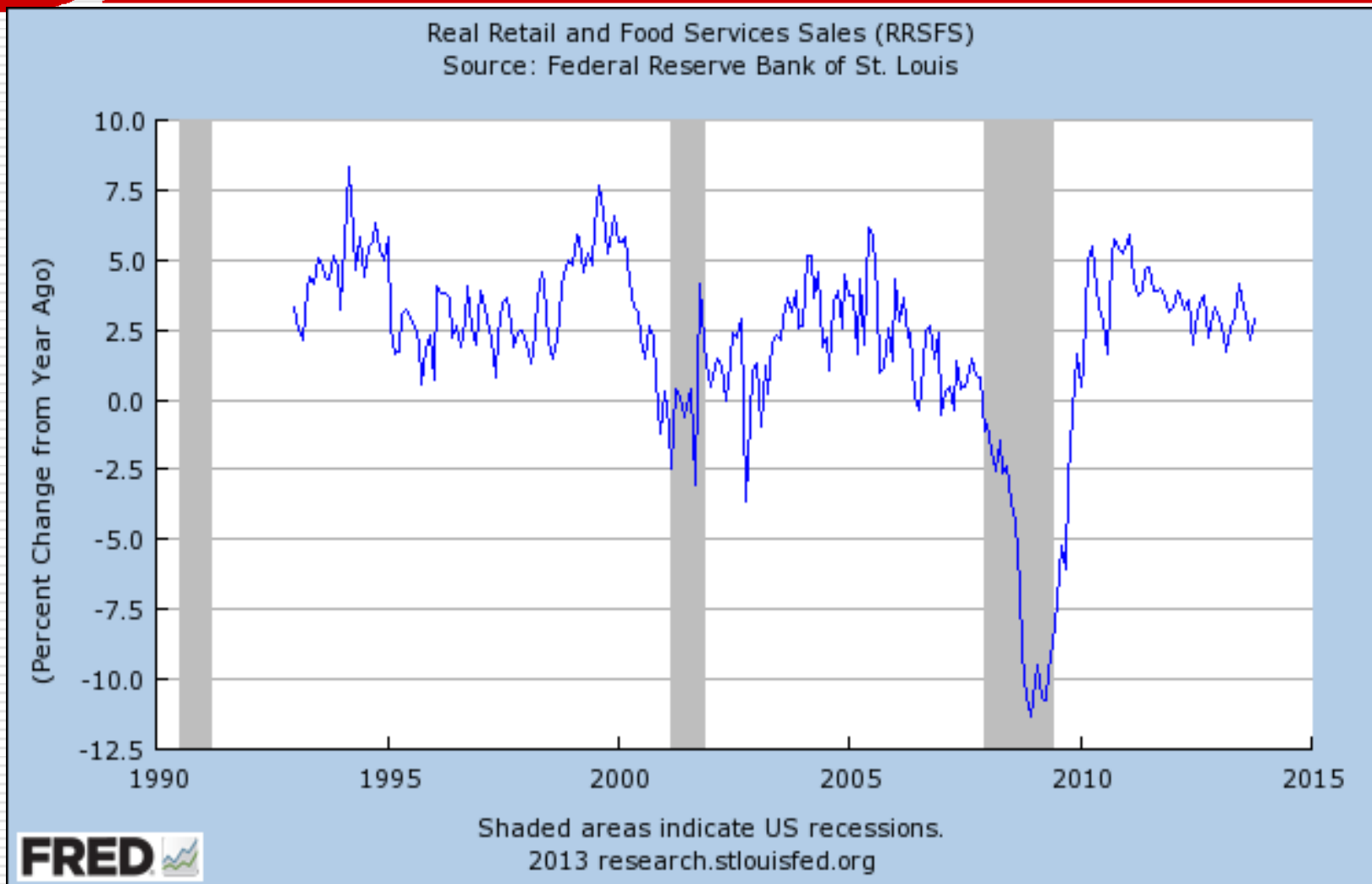


# ***Real Personal Consumption***





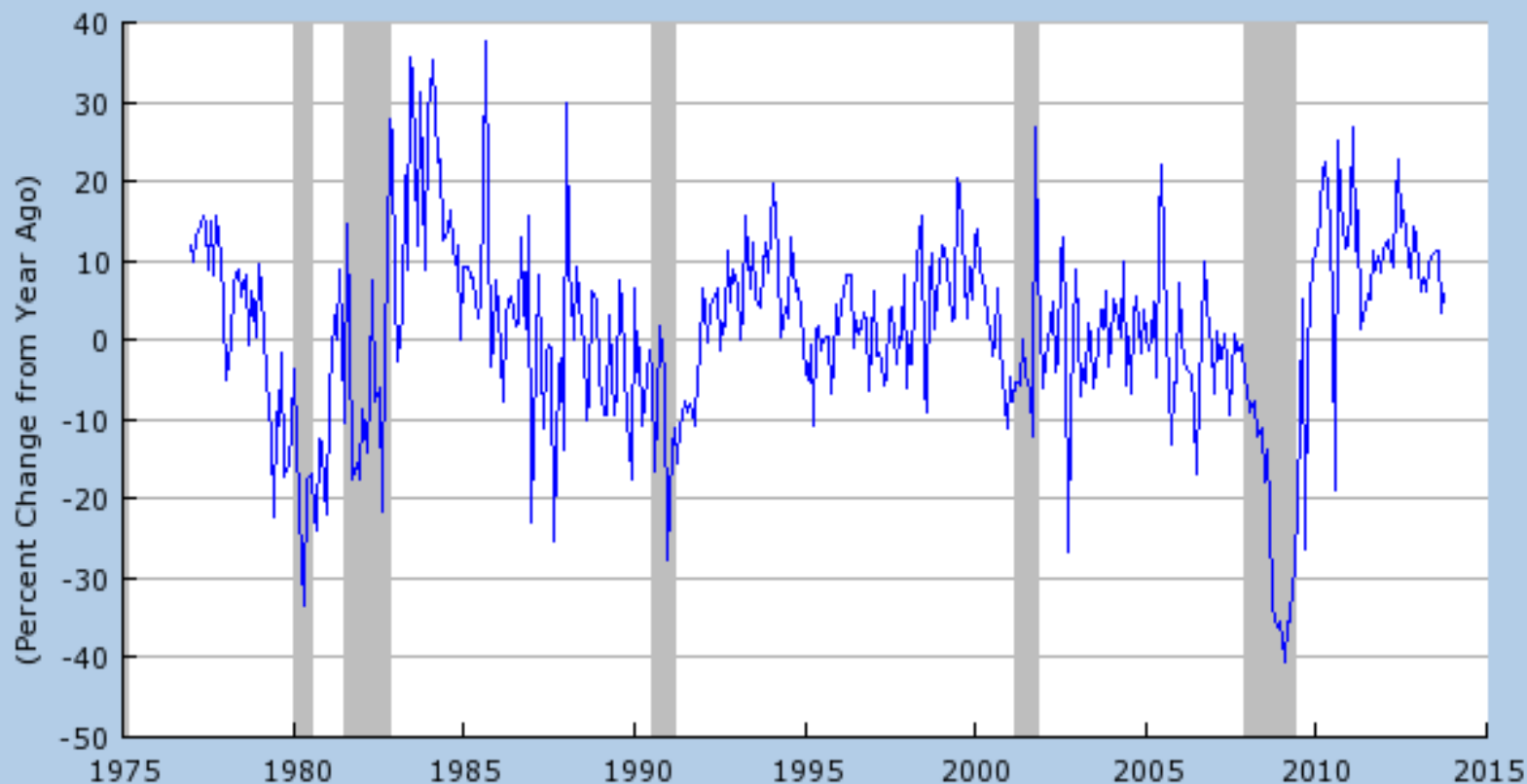
# ***Retail Sales Growth***





# Vehicle Sales Growth

Light Weight Vehicle Sales: Autos & Light Trucks (ALTSALES)  
Source: U.S. Department of Commerce: Bureau of Economic Analysis



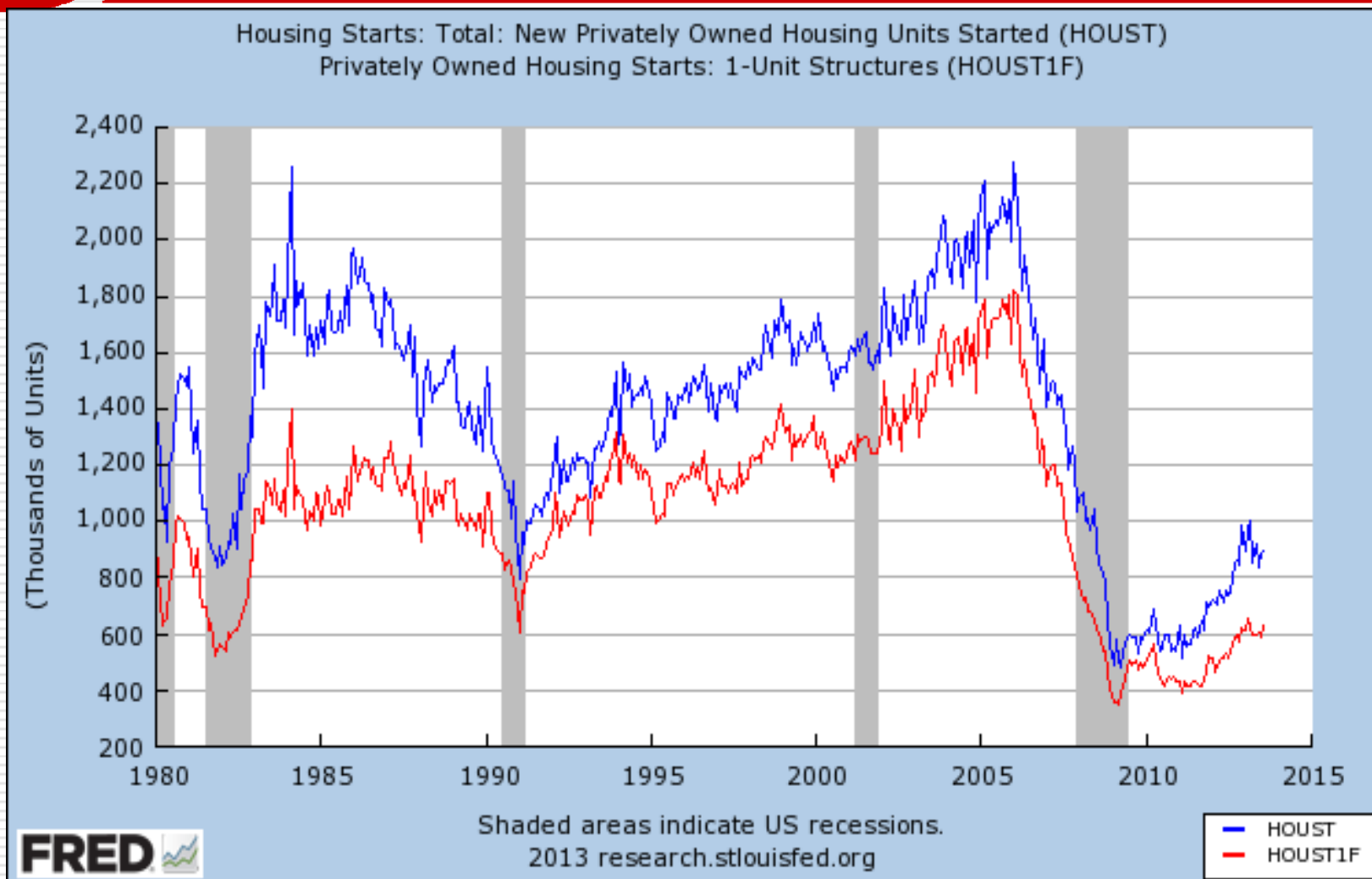
Shaded areas indicate US recessions.  
2013 research.stlouisfed.org







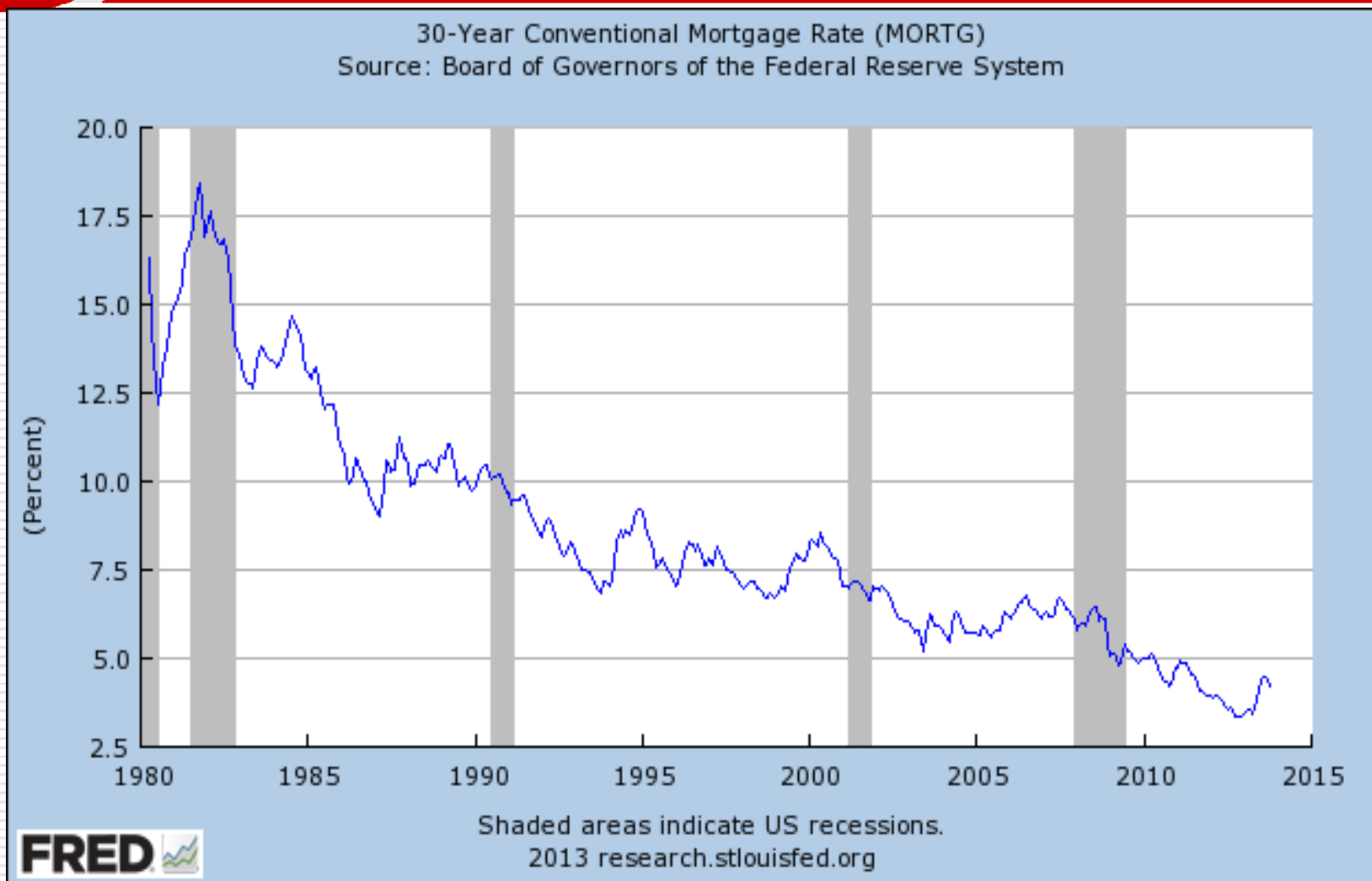
# ***Housing Starts***





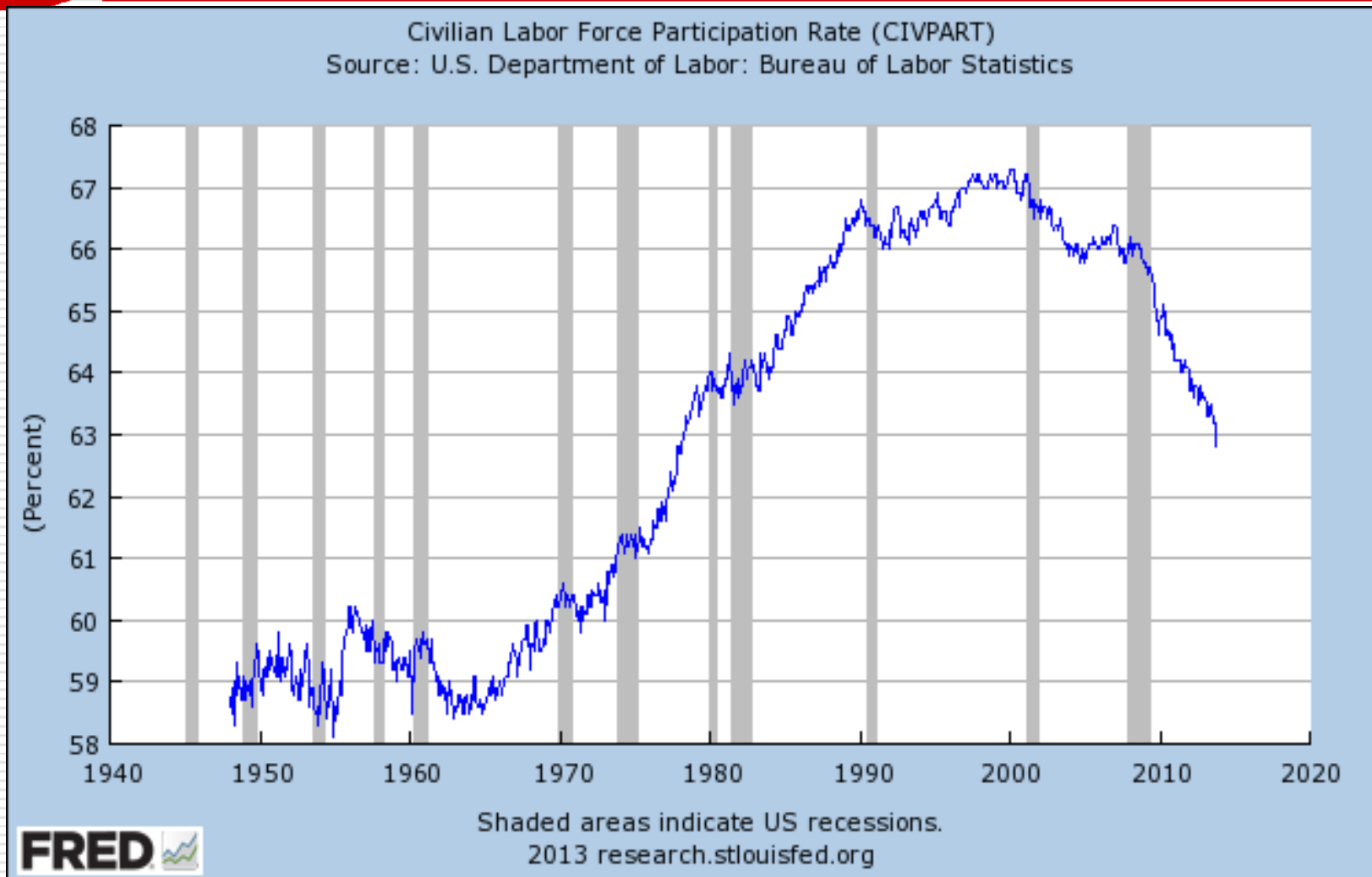


# ***Mortgage Rate***





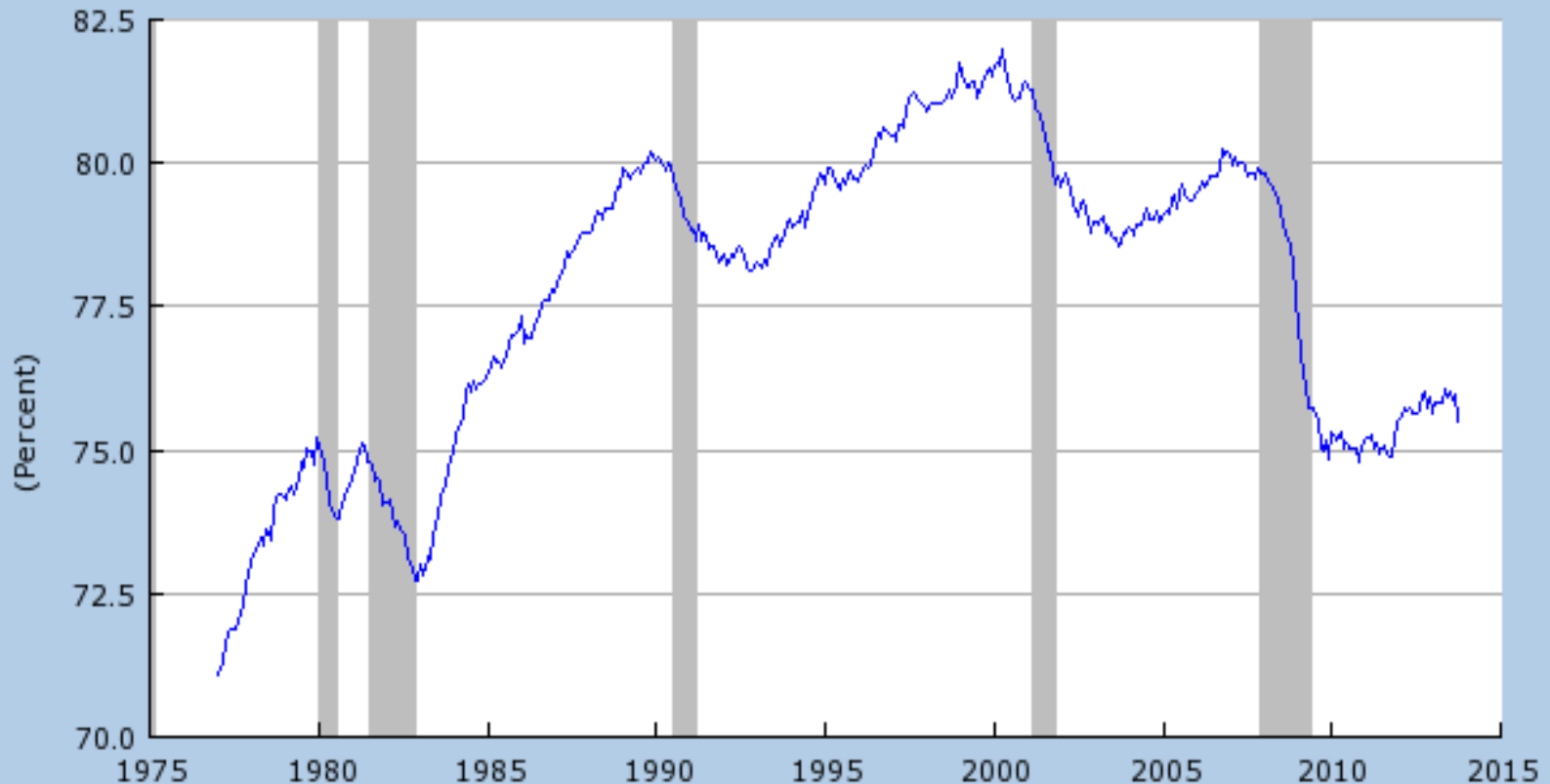
# *Participation Rate*





# *Employment Rate: Age 25-54*

Employment Rate: Aged 25-54: All Persons for the United States (LREM25TTUSM156S)  
Source: Organisation for Economic Co-operation and Development



**FRED**

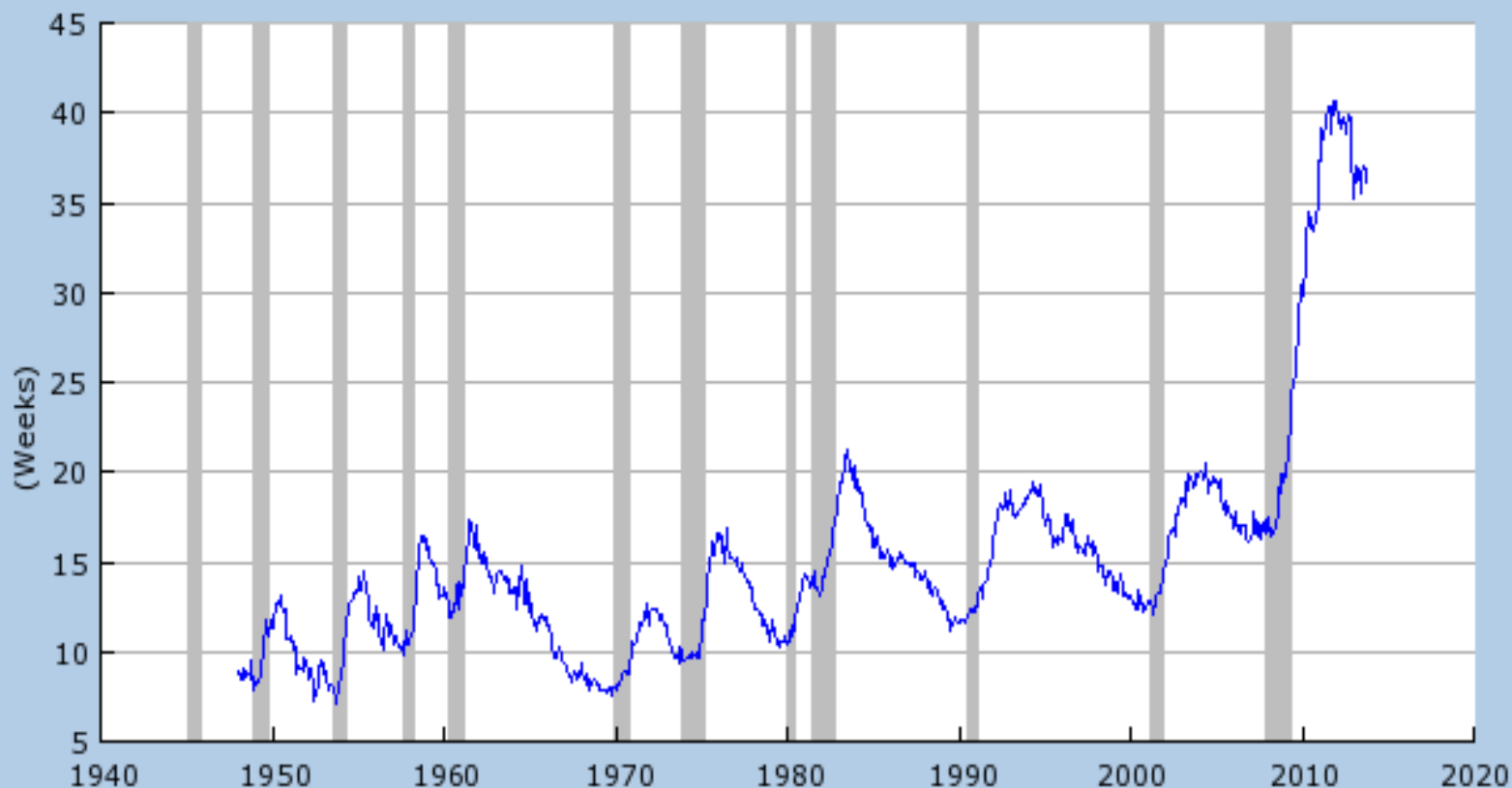
Shaded areas indicate US recessions.  
2013 research.stlouisfed.org





# ***Duration of Unemployment***

Average (Mean) Duration of Unemployment (UEMPMEAN)  
Source: U.S. Department of Labor: Bureau of Labor Statistics



**FRED**

Shaded areas indicate US recessions.  
2013 research.stlouisfed.org

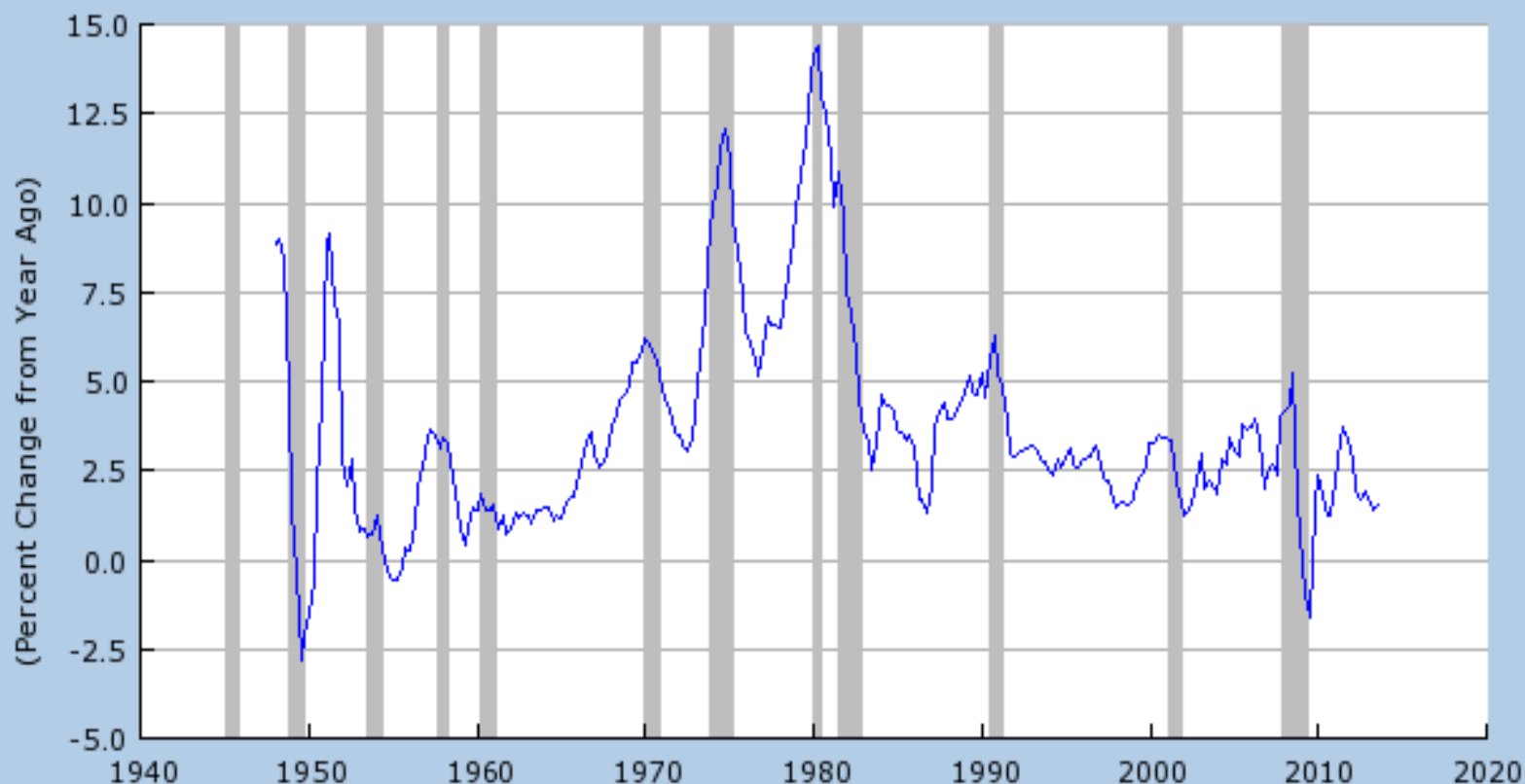




# Consumer Price Index

Consumer Price Index for All Urban Consumers: All Items (CPIAUCSL)

Source: U.S. Department of Labor: Bureau of Labor Statistics



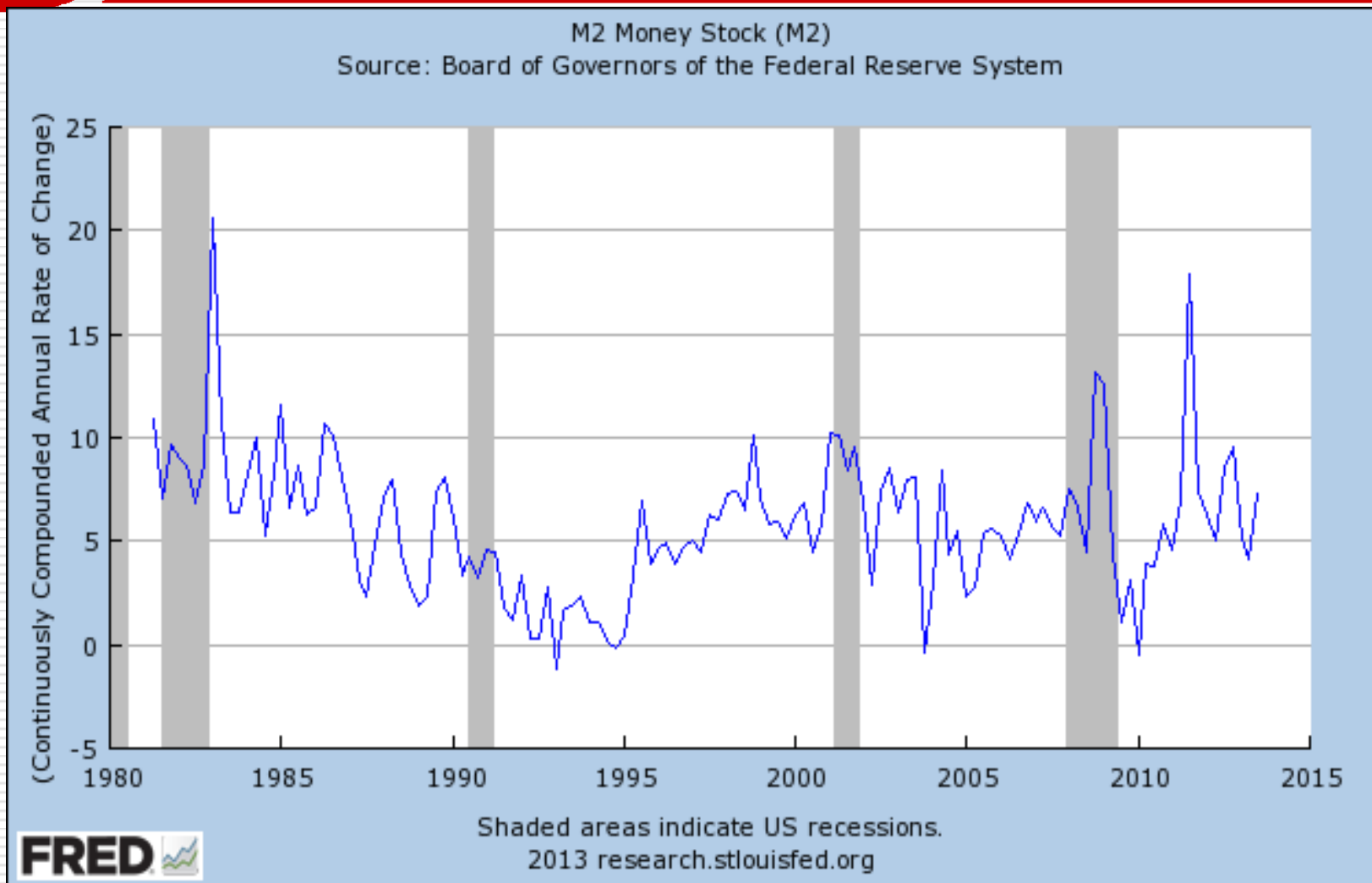
**FRED**

Shaded areas indicate US recessions.  
2013 research.stlouisfed.org



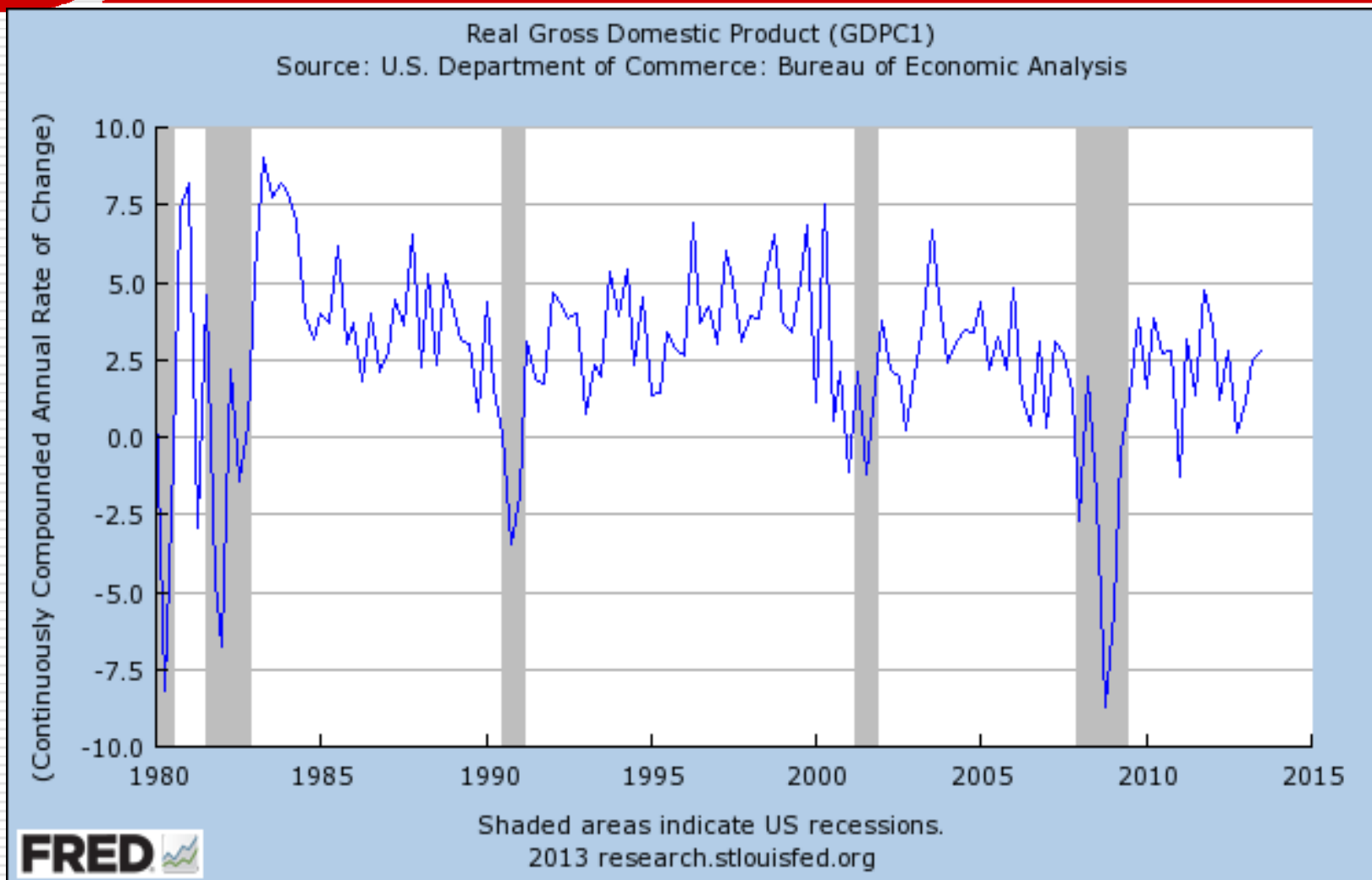


# ***Growth of Money Supply***





# ***Growth in GDP***







# ***Inflation Expectation***

University of Michigan Inflation Expectation (MICH)

Source: Thomson Reuters/University of Michigan



**FRED**

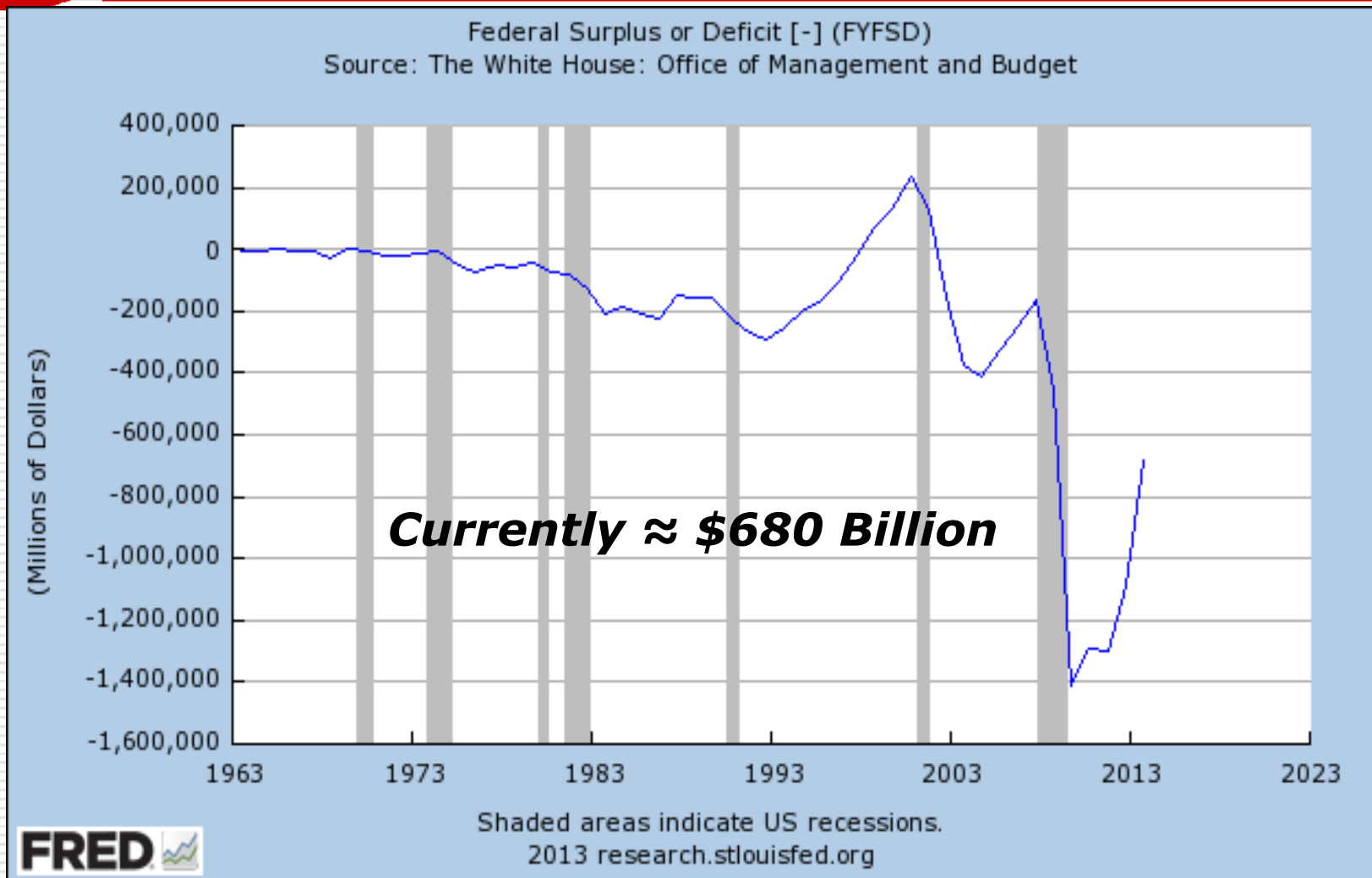
Shaded areas indicate US recessions.

2013 research.stlouisfed.org





# ***Federal Budget Deficit***

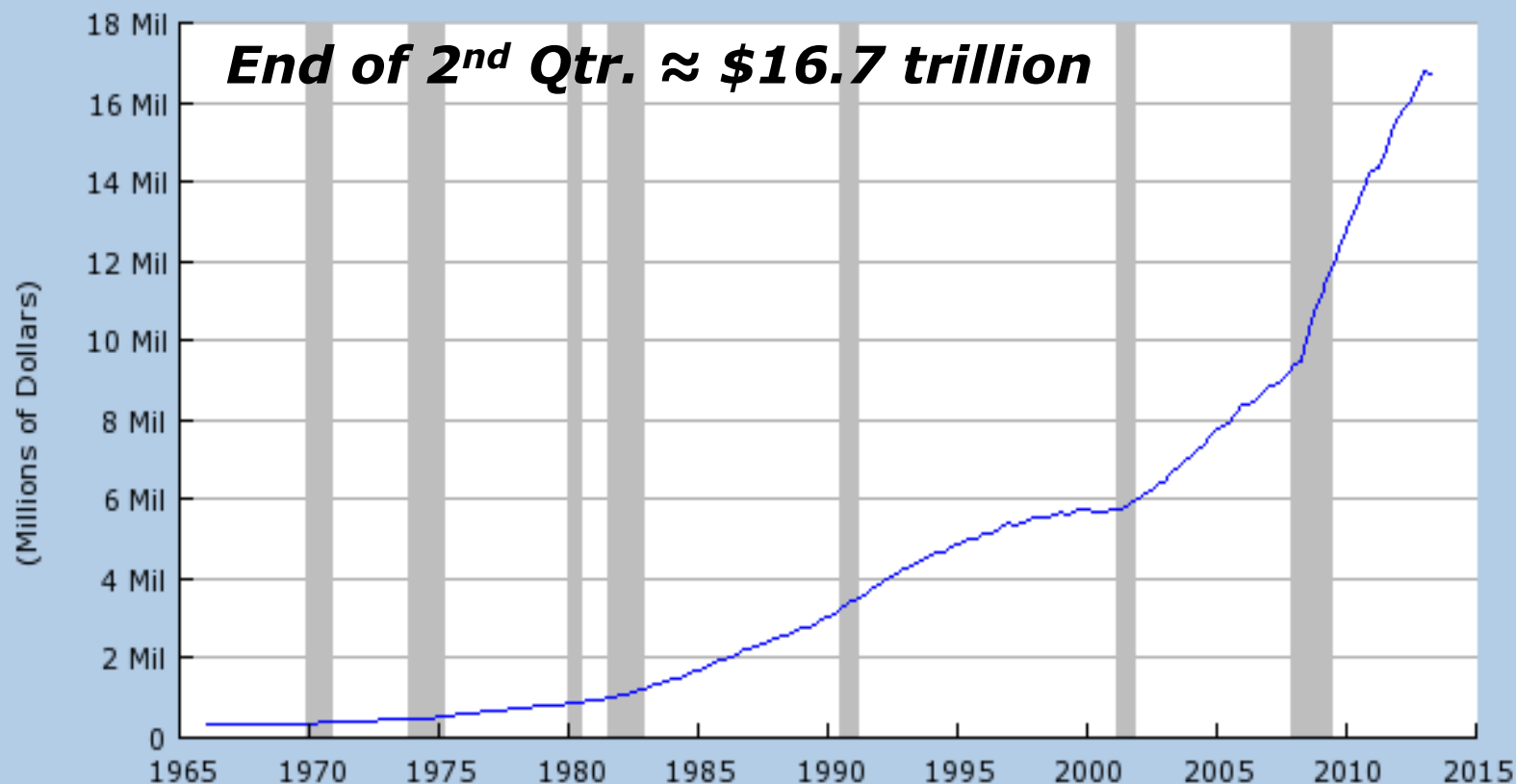




# Total Federal Debt

Federal Debt: Total Public Debt (GFDEBTN)

Source: U.S. Department of the Treasury: Financial Management Service



Shaded areas indicate US recessions.

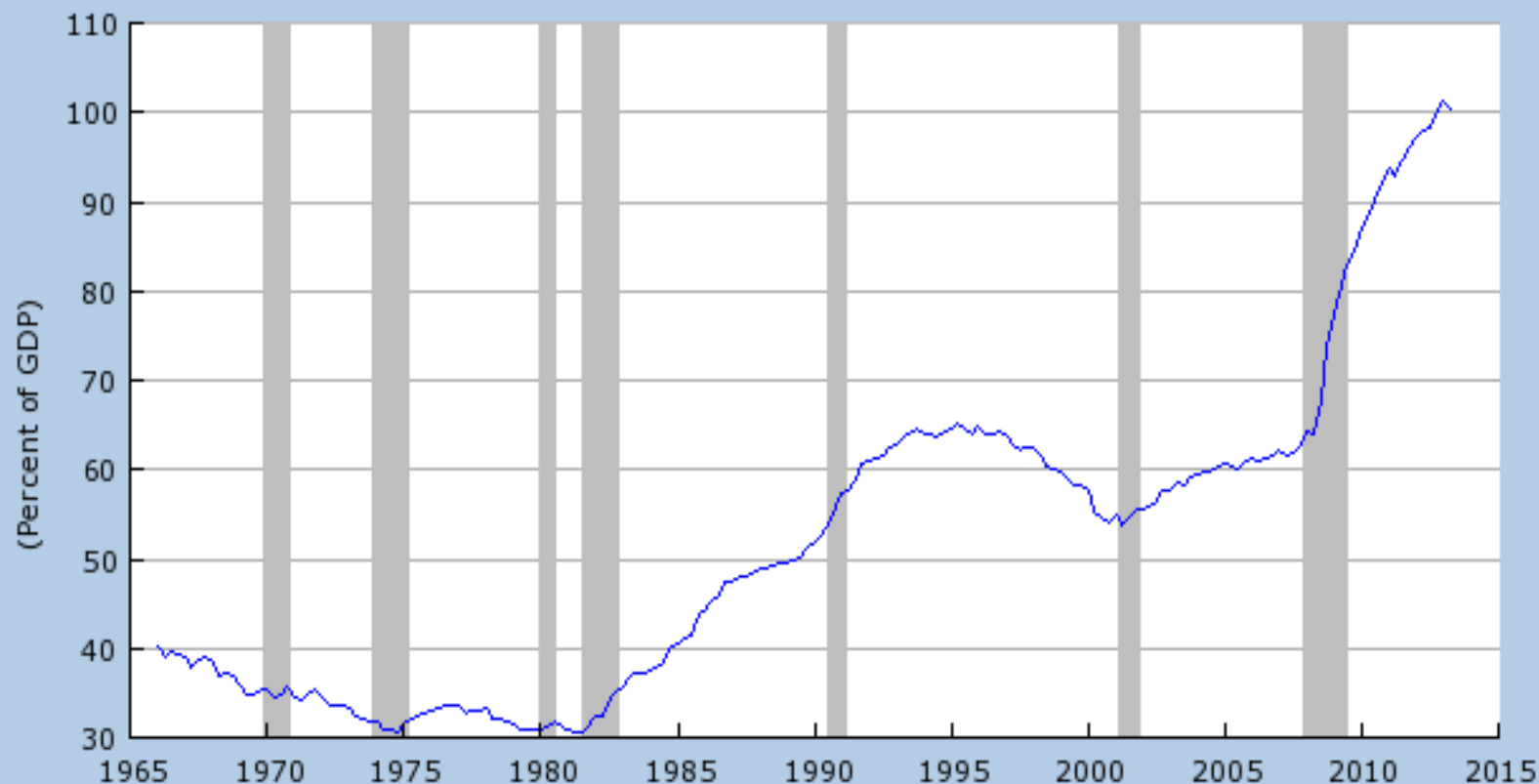
2013 research.stlouisfed.org





# ***Federal Debt as Percent of GDP***

Federal Debt: Total Public Debt as Percent of Gross Domestic Product (GFDEGDQ188S)  
Source: Federal Reserve Bank of St. Louis, The White House: Office of Management and Budget



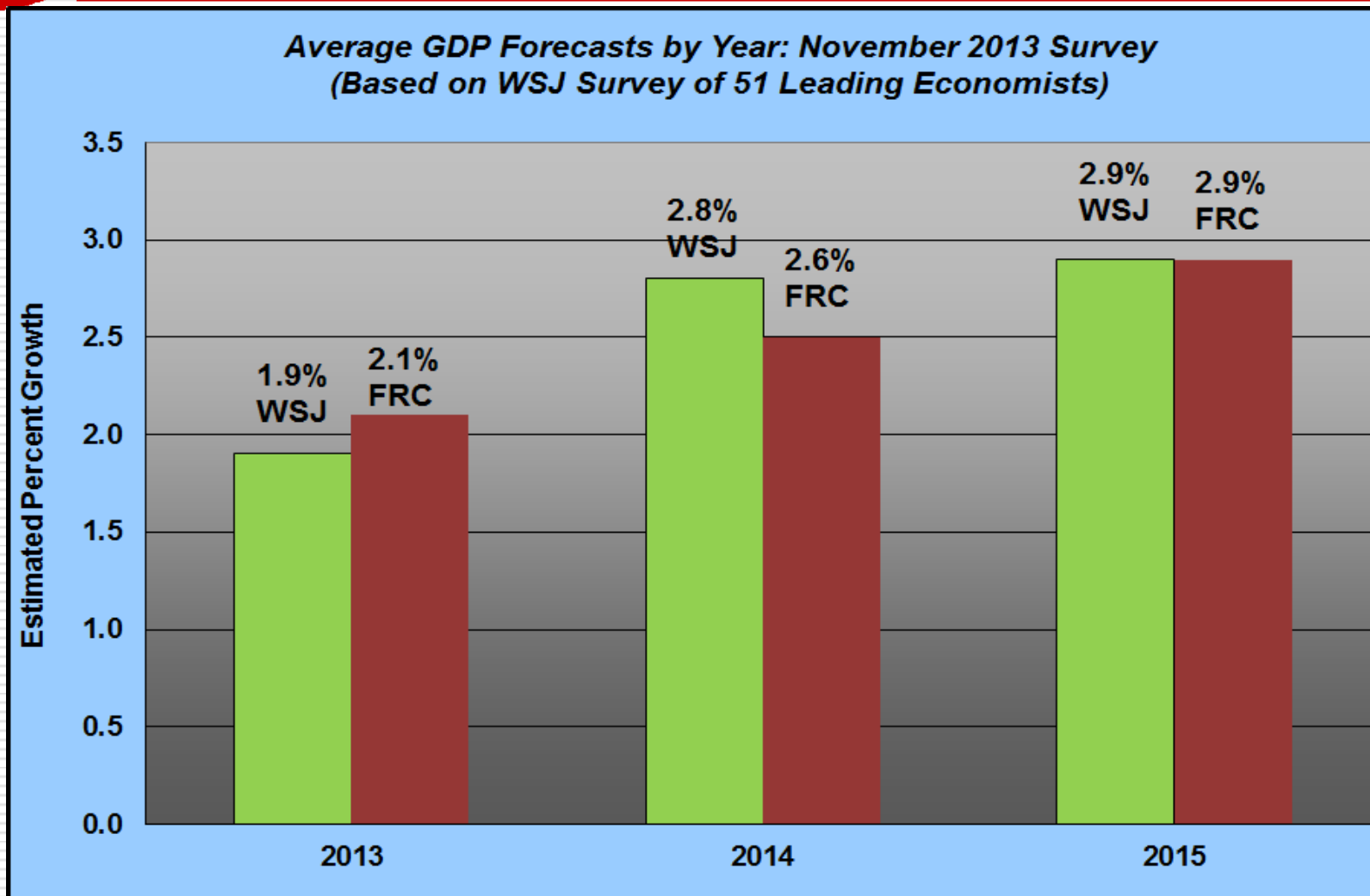
**FRED**

Shaded areas indicate US recessions.  
2013 research.stlouisfed.org





# Macroeconomic Outlook - Recap





# ***TN Tax Revenue Outlook***

- ❑ Translates to moderate tax revenue growth for TN in FY13-14 and FY14-15:
  - Total Revenue Growth of 2.4% in FY13-14
  - General Fund Growth of 2.3% in FY13-14
  - Total Revenue Growth of 2.9% in FY14-15
  - General Fund Growth of 3.1% in FY14-15





# ***Key Forecasting Issues***

- ☐ What's going to happen with sales tax collections?
- ☐ Do motor fuel tax collections continue downward trend?
- ☐ What happens with Hall Income Tax collections after a year of 26.1% growth in FY12-13?
- ☐ What happens with F&E collections after 22.3% growth in FY11-12; 9.1% growth in FY12-13; and now YTD growth of -11.4% in FY13-14?
- ☐ What happens with inheritance & estate tax collections after positive growth of 44.5% in FY11-12; negative growth of 31.4% in FY12-13; and with the phase out of the taxes beginning with tax year 2013?
- ☐ Do tobacco tax collections continue downward trend?







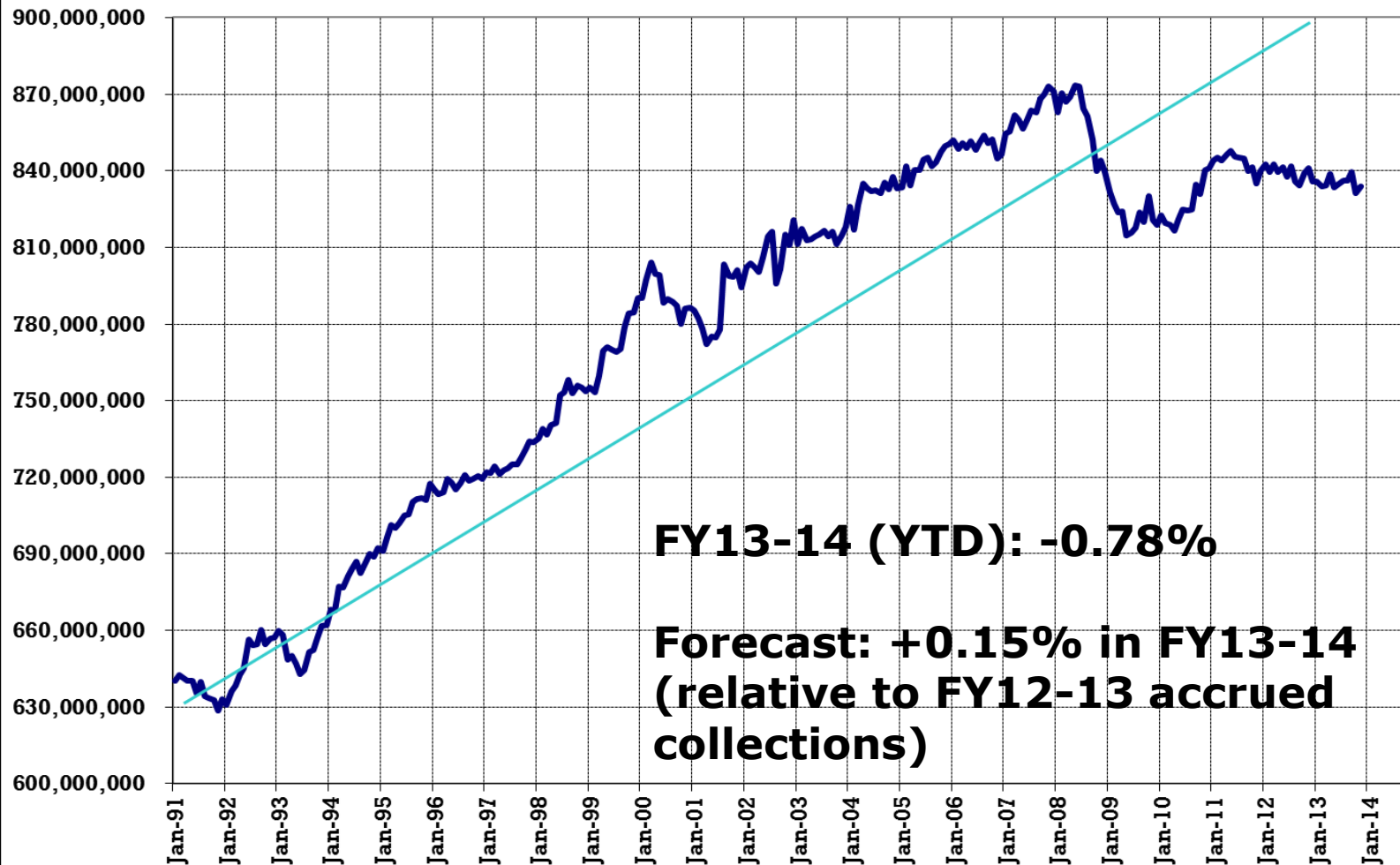
# Base Analysis for Sales Tax

	FY11-12	Growth over FY10-11	FY12-13	Growth over FY11-12	FY13-14	Growth over FY12-13
August	5.09%	6.18%	1.13%	1.91%	3.75%	3.51%
September	8.33%		2.84%		3.50%	
October	6.17%		0.93%		2.91%	
November	5.19%		2.80%		3.91%	
December	6.78%	6.76%	5.01%	1.79%	?	3.56%
January	7.47%		-0.30%		?	
February	10.24%		2.42%		?	
March	7.58%		0.11%		?	
April	8.77%		-0.70%		?	
May	4.40%		3.97%		?	
June	6.24%		1.18%		?	
July	3.30%		3.42%		?	
Year-over-Year (accrual)		6.25%		1.62%		3.75%



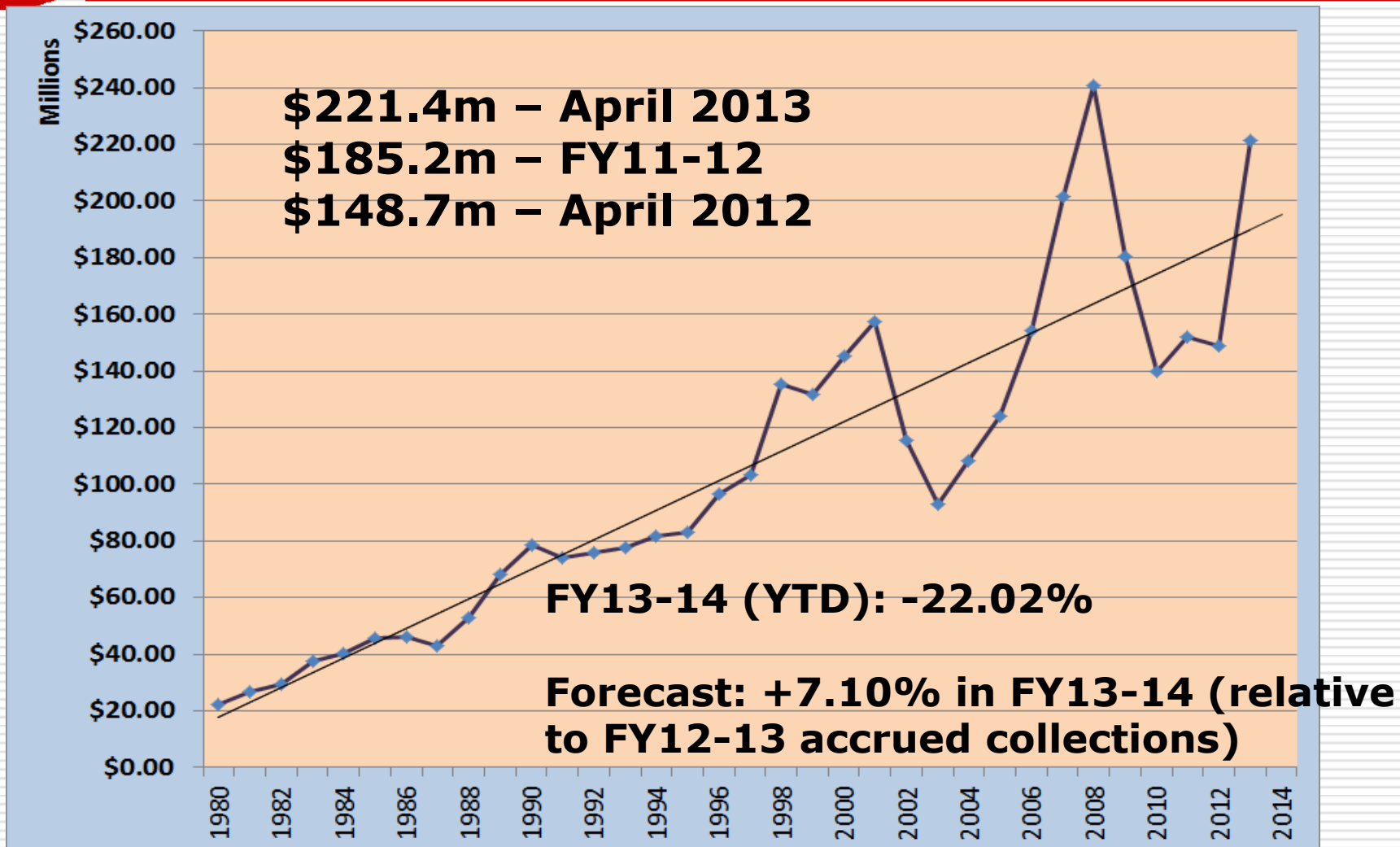


# ***Fuel Taxes (12 month MS)***



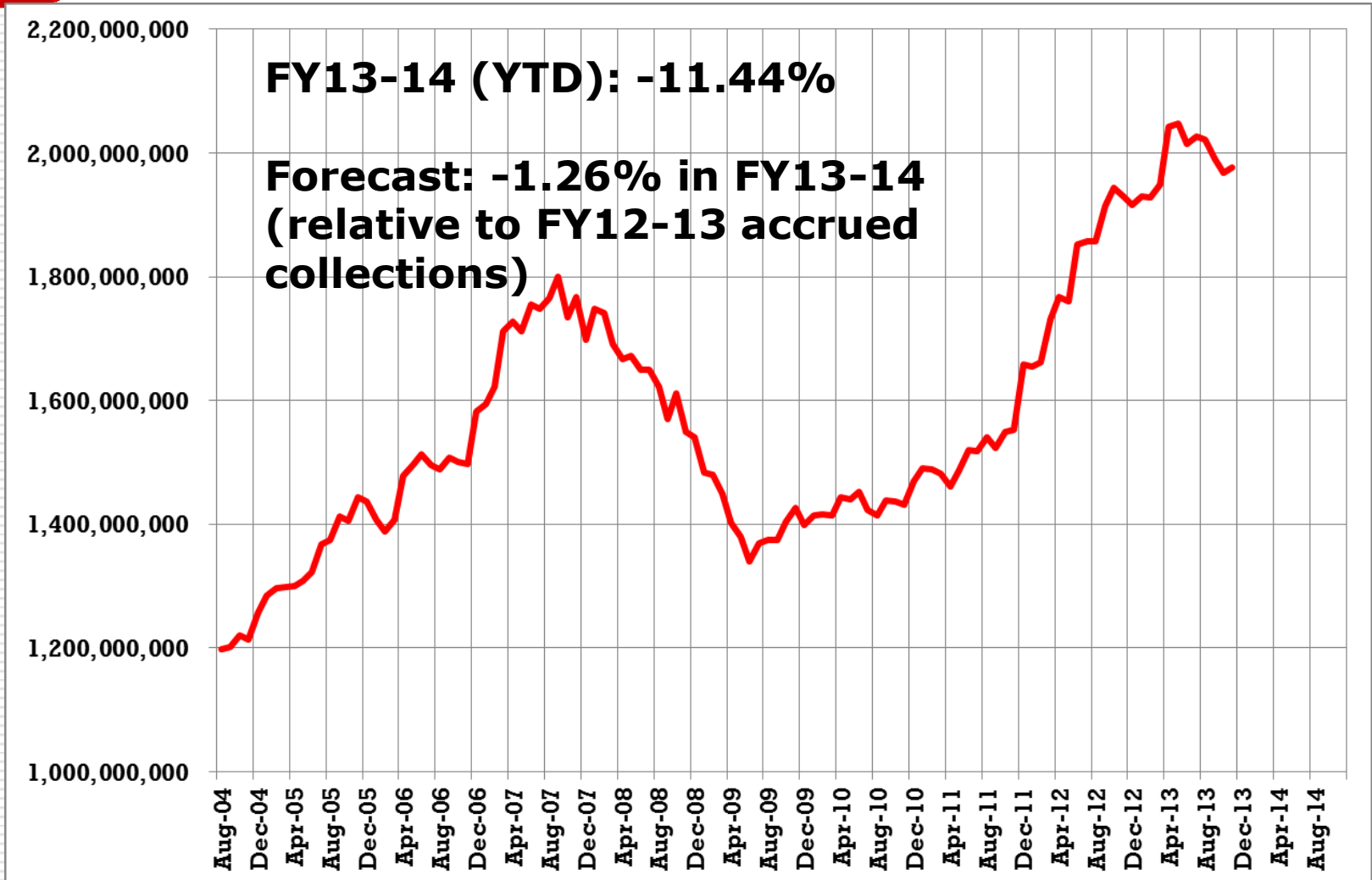


# ***Hall Income Tax – April***





# *Franchise and Excise Taxes (12 month MS)*





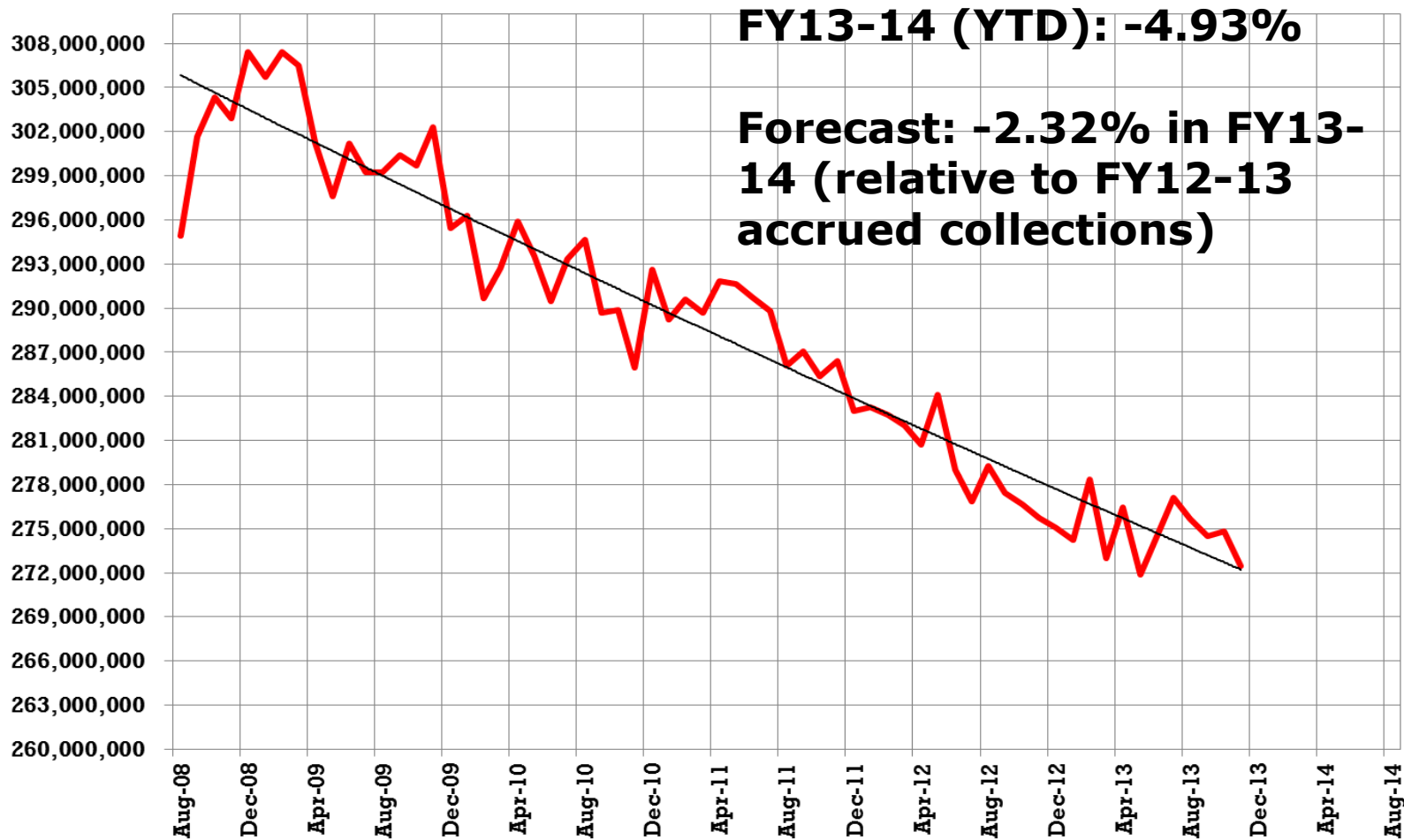
# Base Analysis for F&E Taxes

	FY11-12	Growth over FY10-11	FY12-13	Growth over FY11-12	FY13-14	Growth over FY12-13
August	193.99%	10.47%	4.63%	20.37%	-10.69%	-11.41%
September*	-6.21%		22.31%		-10.37%	
October	274.54%		85.63%		-33.64%	
November	8.03%		-34.84%		30.04%	
December*	69.86%	25.51%	-5.57%	6.41%	?	1.18%
January*	-1.77%		9.42%		?	
February	20.96%		-4.55%		?	
March*	54.88%		10.15%		?	
April**	10.78%		24.92%		?	
May	-14.59%		11.58%		?	
June**	32.39%		-8.85%		?	
July	8.63%		21.54%		?	
Year-over-Year (accrual)		18.03%		8.34%		-1.26%





# ***Tobacco Tax (12 month MS)***





# ***Growth Forecasts: FY13-14 & FY14-15***

Source	FY13-14			FY14-15
	FY13-14 YTD Growth (Cash)	Growth Forecast for Remainder of FY13-14 (Cash)	Growth Forecast for FY13-14 (Accrual)*	Growth Forecast for FY14-15 (Accrual)
Sales Tax	3.51%	3.56%	3.75%	3.30%
Motor Fuels	-0.78%	0.40%	0.15%	-0.12%
Income	-22.02%	-3.61%	7.10%	4.00%
F&E	-11.41%	1.18%	-1.26%	4.01%
All Other	2.87%	-2.35%	1.48%	1.20%
Total	1.15%	1.67%	2.39%	2.91%

**\*Growth rate forecasts for FY13-14 are relative to FY12-13 accrual collections**







# Estimates for FY13-14 & FY14-15

REVENUE SOURCE	ACTUAL ACCRUAL COLLECTIONS FY12-13	FRC STAFF TAX REVENUE ESTIMATES FY13-14	PERCENT INCREASE OVER FY12-13	FRC STAFF TAX REVENUE ESTIMATES FY14-15	PERCENT INCREASE OVER FY13-14
SALES & USE TAX*	\$7,012,028,700	\$7,275,000,000	3.8%	\$7,515,000,000	3.3%
GASOLINE TAX	\$615,043,000	\$612,000,000	-0.5%	\$611,000,000	-0.2%
MOTOR FUEL TAX	\$156,993,300	\$161,700,000	3.0%	\$162,000,000	0.2%
GASOLINE INSPECTION TAX	\$62,919,900	\$62,500,000	-0.7%	\$62,200,000	-0.5%
MOTOR VEHICLE REG. TAX	\$252,893,600	\$262,000,000	3.6%	\$269,860,000	3.0%
INCOME TAX*	\$233,418,800	\$250,000,000	7.1%	\$260,000,000	4.0%
PRIVILEGE TAX - LESS EARMARKED**	\$259,758,100	\$293,000,000	12.8%	\$310,000,000	5.8%
GROSS RECEIPTS TAX: TVA	\$343,128,900	\$332,104,000	-3.2%	\$338,746,000	2.0%
GROSS RECEIPTS TAX: OTHER	\$25,117,000	\$27,800,000	10.7%	\$28,912,000	4.0%
BEER TAX*	\$17,224,300	\$18,100,000	5.1%	\$18,600,000	2.8%
ALCOHOLIC BEVERAGE TAX	\$52,116,400	\$55,500,000	6.5%	\$57,300,000	3.2%
FRANCHISE & EXCISE TAX*	\$2,020,504,700	\$1,995,000,000	-1.3%	\$2,075,000,000	4.0%
INHERITANCE TAX*	\$110,627,500	\$95,000,000	-14.1%	\$72,000,000	-24.2%
TOBACCO TAX	\$277,426,600	\$271,000,000	-2.3%	\$270,000,000	-0.4%
MOTOR VEHICLE TITLE FEES	\$11,913,600	\$12,400,000	4.1%	\$12,900,000	4.0%
MIXED DRINK TAX	\$69,580,100	\$74,500,000	7.1%	\$78,500,000	5.4%
BUSINESS TAX*	\$137,708,200	\$139,000,000	0.9%	\$142,475,000	2.5%
SEVERANCE TAX	\$2,374,200	\$2,600,000	9.5%	\$2,700,000	3.8%
AMUSEMENT TAX	\$329,900	\$350,000	6.1%	\$370,000	5.7%
UNAUTHORIZED SUBSTANCE TAX	\$4,600	\$0	N/A	\$0	N/A
<b>TOTAL REVENUE</b>	<b>\$11,661,111,400</b>	<b>\$11,939,554,000</b>	<b>2.4%</b>	<b>\$12,287,563,000</b>	<b>2.9%</b>

\*Estimate adjusted for legislation enacted during the 2013 legislative session

\*\*Privilege Tax estimates are reduced by \$43.0 million for the earmarked portion of the tax.





## ***FY13-14: All Funds and General Fund***

REVENUE SOURCE	ALL FUNDS	GENERAL FUND
	<u>FY13-14</u>	<u>FY13-14</u>
SALES & USE TAX	\$7,275,000,000	\$6,855,473,000
GASOLINE TAX	\$612,000,000	\$9,303,000
MOTOR FUEL TAX	\$161,700,000	\$2,989,000
GASOLINE INSPECTION TAX	\$62,500,000	\$18,250,000
MOTOR VEHICLE REGISTRATION TAX	\$262,000,000	\$46,271,000
INCOME TAX	\$250,000,000	\$162,042,000
PRIVILEGE TAX	\$293,000,000	\$289,070,000
GROSS RECEIPTS TAX: TVA	\$332,104,000	\$181,993,000
GROSS RECEIPTS TAX: OTHER	\$27,800,000	\$24,270,000
BEER TAX	\$18,100,000	\$12,202,000
ALCOHOLIC BEVERAGE TAX	\$55,500,000	\$45,931,000
FRANCHISE & EXCISE TAX	\$1,995,000,000	\$1,736,200,000
INHERITANCE TAX	\$95,000,000	\$95,000,000
TOBACCO TAX	\$271,000,000	\$271,000,000
MOTOR VEHICLE TITLE FEES	\$12,400,000	\$9,700,000
MIXED DRINK TAX	\$74,500,000	\$37,559,000
BUSINESS TAX	\$139,000,000	\$139,000,000
SEVERANCE TAX	\$2,600,000	\$1,000,000
AMUSEMENT TAX	\$350,000	\$350,000
UNAUTHORIZED SUBSTANCE	\$0	\$0
TOTAL REVENUE	\$11,939,554,000	\$9,937,603,000





# ***FRC Estimates for FY13-14 Relative to Current Budgeted Estimates***

<b>CURRENT FRC STAFF ESTIMATE FOR FY13-14</b>	
SALES TAX	\$7,275,000,000
FRANCHISE & EXCISE TAXES	\$1,995,000,000
ALL FUNDS	\$11,939,554,000
GENERAL FUND	\$9,937,603,000
<b>CURRENT BUDGETED ESTIMATE FOR FY13-14</b>	
SALES TAX	\$7,288,400,000
FRANCHISE & EXCISE TAXES	\$2,135,900,000
ALL FUNDS	\$12,052,200,000
GENERAL FUND	\$10,065,800,000
<b>EST. OVERAGE/ (<b>SHORTAGE</b>) COMPARED TO CURRENT BUDGETED ESTIMATE FOR FY13-14:</b>	
SALES TAX	(\$13,400,000)
FRANCHISE & EXCISE TAXES	(\$140,900,000)
ALL FUNDS	(\$112,646,000)
GENERAL FUND	(\$128,197,000)
ACT. GENERAL FUND FOR FY12-13:	\$9,716,191,600
EST. GENERAL FUND INCREASE OVER FY12-13:	\$221,411,400





## ***FY14-15: All Funds and General Fund***

REVENUE SOURCE	ALL FUNDS	GENERAL FUND
	<u>FY14-15</u>	<u>FY14-15</u>
SALES & USE TAX	\$7,515,000,000	\$7,081,633,000
GASOLINE TAX	\$611,000,000	\$9,288,000
MOTOR FUEL TAX	\$162,000,000	\$2,994,000
GASOLINE INSPECTION TAX	\$62,200,000	\$18,162,000
MOTOR VEHICLE REGISTRATION TAX	\$269,860,000	\$47,659,000
INCOME TAX	\$260,000,000	\$168,523,000
PRIVILEGE TAX	\$310,000,000	\$305,842,000
GROSS RECEIPTS TAX: TVA	\$338,746,000	\$185,633,000
GROSS RECEIPTS TAX: OTHER	\$28,912,000	\$25,241,000
BEER TAX	\$18,600,000	\$12,539,000
ALCOHOLIC BEVERAGE TAX	\$57,300,000	\$47,421,000
FRANCHISE & EXCISE TAX	\$2,075,000,000	\$1,805,822,000
INHERITANCE TAX	\$72,000,000	\$72,000,000
TOBACCO TAX	\$270,000,000	\$270,000,000
MOTOR VEHICLE TITLE FEES	\$12,900,000	\$10,200,000
MIXED DRINK TAX	\$78,500,000	\$39,575,000
BUSINESS TAX	\$142,475,000	\$142,475,000
SEVERANCE TAX	\$2,700,000	\$1,000,000
AMUSEMENT TAX	\$370,000	\$370,000
UNAUTHORIZED SUBSTANCE	\$0	\$0
TOTAL REVENUE	\$12,287,563,000	\$10,246,377,000

